



# GDAX Digital Asset Framework

Factors we evaluate when considering which new assets to support on GDAX

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We are excited to release the GDAX Digital Asset Framework. This framework is designed to provide insight into how we evaluate digital assets for listing on GDAX. It is not an endorsement of any specific asset. We reserve full and absolute discretion to list, not list, or de-list any asset for trading on GDAX regardless of how the criteria in this framework may apply to the asset. We expect this framework to evolve over time.

*We would like to thank the following people for conversations which helped inform pieces of this framework:*

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You should not rely on this framework as legal or financial advice. It is designed for general informational purposes only. This framework is provided "as is" with no representations, warranties or obligations to update, although we reserve the right to modify or change this framework from time to time.

1.0 GDAX MISSION & VALUES	Does the asset align with our mission and values?
<b>1.1 Open Financial System (1)</b>  Innovation or Efficiency Gains  Economic Freedom  Equality of Opportunity  Decentralization	<b>Open financial system is defined as being available to everyone and not controlled by a single entity.</b>  New or improved technology which helps solve a problem, creates a new market, addresses an unmet market need, or creates value for network participants.  A measure of how easy it is for members of a society to participate in the economy. The technology enables individuals to have more control over their own wealth and property, or the freedom to consume, produce, invest, or work as they choose.  This technology is accessible to use by anyone with a smartphone or access to the internet. It contributes to the broader mission of building the on-ramps to Finance 2.0.  The network is public, decentralized, and enables trustless consensus.
2.0 TECHNOLOGY	Assessment of the asset and network.
<b>2.1 Security &amp; Code</b>  Source Code  Prototype  Security	<b>Assessment of engineering and product quality.</b>  Open-source code, well-documented peer-review, and testing by contributors separate from the initial development team on GitHub, etc.  There is a working alpha or beta product on a testnet or mainnet.  Demonstrable record of responding to and improving the code after a disclosure of vulnerability, and a robust bug bounty program or third party security audit.
<b>2.2 Team</b>  Founders and Leadership  Engineering  Business & Operations  Specialized Knowledge and Key People	<b>Assessment of short-term operating expectations and decision making.</b>  Able to articulate vision, strategy, use cases or drive developmental progress. Has a track record of demonstrable success or experience. If information is available, GDAX will apply "know your client" standards to publically visible founders or leaders.  Assessment of the engineering team and their track record of setting and achieving deadlines.  History of interacting with the community, setting a reasonable budget and managing funds, and achieving project milestones. Thoughtful cash management is a key driver of the project's long term viability.  The project leadership is not highly centralized or dependent on a small number of key persons. Specialized knowledge in this field is not limited to a small group of people.
<b>2.3 Governance</b>  Consensus Process  Future Development Funding (2)  White Paper	<b>Assessment of long-term operating expectations and decision making.</b>  There is a structured process to propose and implement major updates to the code, or there is a system or voting process for conflict resolution.  There is a plan or built-in mechanism for raising, rewarding, or allocating funds to future development, beyond the funds raised from the ICO or traditional investors.  Justifies the use case for a decentralized network and outlines project goals from a business and technology perspective. While a white paper is important for understanding the project, it is not a requirement.
<b>2.4 Scalability</b>  Roadmap  Network Operating Costs  Practical Applications  Type of Blockchain	<b>Assessment of a network's potential barriers to scaling and ability to grow and handle user adoption.</b>  Clear timeline with stages of development, reasonable project milestones, or built-in development incentives.  The barriers to scaling the network have been identified, or solutions have been proposed or discussed. The resource consumption costs for validators and miners are not the main deterrents to participation.  There are examples of real-world implementation or future practical applications.  The asset is a separate blockchain with a new architecture system and network, or it leverages an existing blockchain for synergies and network effects.

<b>3.0</b>	<b>LEGAL &amp; COMPLIANCE</b>	<b>Application of laws, regulations, and compliance best practices.</b>
<b>3.1</b>	<b>Regulation</b>	<b>Can GDAX legally offer this asset?</b>
	US Securities Law (3)	The asset is not classified as a security using Coinbase's Securities Law Framework.
	Compliance Obligations	The asset would not affect Coinbase or GDAX's ability to meet compliance obligations, which include: (1) Anti-Money Laundering (AML) program and (2) obligations under government licenses in any jurisdiction (e.g. Money Transmitter Licenses).
<b>3.2</b>	<b>Integrity &amp; Reputational Risk</b>	<b>Would listing the asset be inconsistent with GDAX policy?</b>
	User Agreement (4)	The asset, network, application or fundamental nature of the project does not constitute a Prohibited Business under Appendix 1 of the User Agreement.
<b>4.0</b>	<b>MARKET SUPPLY</b>	<b>Which metrics are important to consider to limit the risk of price manipulation?</b>
<b>4.1</b>	<b>Liquidity Standards</b>	<b>How liquid is this asset?</b>
	Global Market Capitalization	How does the market capitalization compare to the total market capitalizations of other assets?
	Asset Velocity	Trade velocity, or turnover, is a significant part of market capitalization. This is a measure of how easily the asset can be converted to another asset.
	Circulation	For service or work tokens, new supply is created through consensus protocols. If the supply is capped, then a material amount of the total tokens should be available to the public.
<b>4.2</b>	<b>Global Distribution</b>	<b>Where is this asset available to trade?</b>
	Total # of Exchanges	The number of exchanges that support the asset.
	Geographic Distribution	The asset is not limited to a single geographic region and is available to trade on decentralized exchanges.
	Fiat and Crypto Pairs	Fiat and crypto trading pairs exist.
	Exchange Volume Distribution	If secondary markets exist, then volume should be relatively distributed across exchanges.
<b>5.0</b>	<b>MARKET DEMAND</b>	<b>Which metrics are important for monitoring adoption or network effects?</b>
<b>5.1</b>	<b>Demand</b>	<b>What is driving demand for this asset and does it lead to stronger network effects?</b>
	Customer Demand	Customer demand is carefully considered, however, any asset which is created from a fork, airdrop, or automated token distribution is subject to a separate set of criteria.
	Developers and Contributors	Growing developer base and measured progress as defined by the number of repositories, commits, and contributors.
	Community Activity	Dedicated forums are available where developers, supporters, users, and founders can interact and build a community and offer transparency into the project. The team provides regular updates or is responsive to feedback.
	External Stakeholders	There are investments from venture firms or hedge funds which have experience working with crypto companies or projects. The project has corporate partnerships, joint ventures, or dedicated consortiums.
<b>5.2</b>	<b>Network Standards</b>	<b>Rudimentary assessment of a growing network effect.</b>
	Change in Market Capitalization	The market capitalization has grown after the network has activated, demonstrating increased demand for the asset after the project's launch.
	Nodes	Growing # of nodes on the underlying blockchain. The project has a globally distributed node network, meaning operating nodes are not contained in a single country or geographic region.
	Transactions, Fees & Addresses	Growing # of transactions and fees paid over time. Growing # of asset or token holders, which is an indicator of asset distribution.

6.0 CRYPTO ECONOMICS	Assessment of how the ecosystem's participants are incentivized to behave.
<b>6.1 Economic Incentives</b>  Type of Token (5)  Token Utility  Inflation (Money Supply)  Rewards and Penalties	<b>Are the economic structures designed to incentivize all parties to act in the best interest of the network?</b>  It is a service, work, or hybrid token. Tokens backed by fiat or other physical assets are categorized as US securities and will not be considered at this time.  There is utility from obtaining, holding, participating, or spending the token. The team identifies a clear and compelling reason for the native digital asset to exist (i.e. the main purpose is not fundraising).  There is an algorithmically programmed inflation rate which incentivizes security and network effects. Or, if the total supply is capped, then a majority of the tokens should be available for trade when the network launches.  There are mechanisms (such as transaction fees) which incentivize miners, validators, and other participants to exhibit 'good' behavior. Conversely, there are mechanisms which deter 'bad' behavior.
<b>6.2 Token Sale Structure (6)(7)</b>  Security  Participation Equality  Team Ownership  Transparency  Total Supply  Ethics or Code of Conduct (8)	<b>A small subset of what we believe are best practices for ICOs and indicators of the token's future ability. If the token did not have a sale, this section is not applicable.</b>  There is a focus on stringent security protocols and best practices to limit scams, hacks, and theft of funds.  Best efforts by the team to allow a fair distribution of tokens (i.e. setting initial individual purchase caps to limit the risk of small number of investors from taking a majority of the supply).  The ownership stake retained by the team is a minority stake. There should be a lock-up period and reasonable vesting schedule to ensure the team is economically incentivized to improve the network into the future.  The team should be available and responsive to questions or feedback about the product, token sale, or use of funds across multiple forums.  The team should sell a fixed percentage of the total supply, and participants should know the percentage of total supply that their purchase represents, or have a clear understanding of the inflation rate.  White paper or project website should have an ethical or professional code of conduct.

Sources:

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